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LOW-WAGE WORKERS MISS A TAX BREAK

L.A. NEEDS TO BOOST AWARENESS OF THE EARNED INCOME TAX CREDIT, WHICH WOULD ALSO SPUR BUSINESS.

By PETER DREIER. Los Angeles Times. Jan 24, 1999. pg. 5

The regional economy is losing at least \$250 million a year because many low-income workers are not taking advantage of a big federal tax break that can increase their incomes by as much as \$3,700 a year. Although some political and business leaders are trying to get more workers to use the earned income tax credit, Mayor Richard Riordan and many employers are sitting on the sidelines.

Congress passed the tax credit in 1975 to help low-wage workers. Families with one child with incomes below about \$26,000 or with two or more children who make less than about \$30,000 are eligible. For example, a worker with two children making the minimum wage (\$5.75 per hour) would be eligible for the full \$3,700--the equivalent of boosting the wage to \$7.50 per hour. Workers don't need to owe taxes to take the credit.

The earned income tax credit is the nation's most effective anti-poverty program, and it is no cost to employers. Poor families spend almost all their income, so this money stays in the local economy, boosting local businesses and generating new jobs. For employers, the tax credit helps reduce employee turnover by making low-wage jobs more rewarding.

Poverty level jobs account for almost one-fifth of employment. This is a big problem in L.A., with its widening disparity of incomes and with federal welfare reform pushing thousands into the labor force, mostly into low-paying jobs with no benefits.

The earned income tax credit could be an antidote to these trends. Nationwide, about 80% of eligible workers claim the tax credit, but in greater L.A., the figure is estimated at 67%. That means at least 180,000 eligible workers fail to claim the credit. The average tax credit benefit here is \$1,600, so full participation could pump more than \$250 million into the region's economy, equal to the annual payroll of Southern California Edison. (Workers can claim the credit for the past three years.)

The biggest obstacle to better participation is a lack of awareness and a lack of access to affordable tax preparers. To get the credit, eligible persons need to file a tax return. The IRS' volunteer income tax assistance program offers free tax preparation in several languages.

Thanks to Los Angeles City Council members Jackie Goldberg and Mike Hernandez, the city and county governments have joined forces with business, union and community groups to publicize the tax credit through radio announcements, community outreach, health clinics, unemployment offices, day care providers, Head Start centers and churches and by sending information to all welfare and food stamp recipients, many of whom work. The local task force even has a toll-free hotline: (800) 601-5552.

More could be done at minimal cost:

* L.A. schools could send fliers home with students to inform parents, as do Denver schools.

* County social services could design welfare-to-work community service jobs as subsidized employment rather than welfare assistance, making many low-income individuals eligible.

* Utilities could include flyers in their bills, as do their counterparts in Baltimore, Chicago and Tulsa.

* State and local governments could supplement federal tax preparation assistance programs with clinics in low-income neighborhoods.

* As in Colorado, state government could mail information to those on unemployment.

* Gov. Gray Davis could follow Illinois' lead and require all employers to notify workers about the credit. Or he could write to employers, as Oklahoma Gov. Frank Keating did.

The most effective way to get the information out is by putting information in every worker's pay envelope and W-2 tax statement. In particular, employers who may get a federal tax credit for hiring former welfare recipients should help their workers claim the earned income tax credit.

Although three local business groups are part of the task force to enlist more corporate cooperation in promoting use of the tax credit, most private firms--the biggest employers of the working poor--have yet to jump on the bandwagon. And, unfortunately, Mayor Riordan has shown no leadership on this.

Riordan could lobby business leaders to mobilize a major outreach campaign to employees. He could urge the Metropolitan Transportation Agency to put signs in buses, as some cities do. He could ask billboard companies to donate space to promote the tax credit in low-income neighborhoods. He could jawbone civic groups, foundations, the United Way and corporations to help set up additional tax preparation clinics. Like his counterpart in Tulsa, he could even do a TV commercial urging viewers to sign up for the tax credit. He has done none of these things.

Urban leaders spend enormous resources lobbying to get more federal aid. Expanding participation in the earned income tax credit is an easy way for L.A. to add hundreds of millions of dollars into the local economy at little cost. Riordan and the city's business leaders are being foolish to allow these dollars to slip away.

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